

NEW - 'State aid: A Beginner's Guide for Public Bodies in Northern Ireland' can now be accessed through the DFE Internet site: <https://www.economy-ni.gov.uk/publications/state-aid-beginners-guide-public-bodies-northern-ireland>

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From: McAdams, Jonathan
Sent: 06 March 2017 13:56
To: Moore, Stephen (DfE); Marten, Lucy
Cc: Adair, Joanne; Smith, Alan; Murphy, Shane; Dukelow, Victor
Subject: RE: additional questions from DG Comp re the 2015 decision to introduce a biomass tier at 1314 hours

Stephen,

I think that the first section helpfully sets out that we were trying to balance continued incentivisation with budgetary/cost controls. On the 1314 hours, others may have more to add, but in response to your final questions, I can only find a draft consultation document on cost controls (see enclosure below).

I don't think that much went out into the public domain, the substance of the below submission was transformed into a Ministerial sub which then implemented the cost control measures through legislation.

It may be that the business case is the only 'external' document we have that illustrates the thinking – although this draft document does to an extent as well, but never went anywhere that I can tell. Lucy, Joanne, do you agree with that analysis?

Regards,

Jonathan



From: Moore, Stephen (DfE)
Sent: 06 March 2017 13:05
To: McAdams, Jonathan; Marten, Lucy
Cc: Adair, Joanne; Smith, Alan; Murphy, Shane; Dukelow, Victor
Subject: additional questions from DG Comp re the 2015 decision to introduce a biomass tier at 1314 hours

Jonathan / Lucy

Please see below an email from Kate Kelliher.

For clarity, this is in addition to the CHP data issue and relates specifically to our rationale for the biomass changes in 2015, as the Commission needs to retrospectively give its approval for all the changes made in 2015, not just the changes we are making in 2017.

I am thinking might respond along the following lines...

The Department's decision to introduce a two tier biomass tariff

In relation to the biomass boilers, the Department introduced a two tier biomass tariff to:

1. Address concerns over the increased rate of return from small and medium sized biomass installations;
2. Reduce the risk of 'gaming' and installations being operated over and above the required kilowatt hours just to generate RHI income;

3. Ensure the scheme continued to be affordable; and
4. Ensure the biomass tariffs still provided a sufficient incentive to ensure uptake of the technology.

The Department's decision to set the biomass tier at 1,314 hours

In relation to the decision to set the tier at 1,314 hours, this figure was chosen because:

- (a) The GB scheme tier was set at 1,314 hours and there was a desire to keep the NI scheme aligned to the GB scheme as much as possible;
- (b) As in GB, most boilers were expected to run for more than 1,314 hours per year (i.e. a 15% load factor) and it was unlikely that a tier at this load factor would lead to overcompensation or 'gaming'.

In relation to overcompensation, it should also be noted that the Department introduced an additional safeguard in the form of annual cap on eligible kilowatt hours (at 400,000kWh) above which no further incentive is paid.

Are you content that:

1. We provide the Commission with the provide the above suggested response? and
2. Do you think we should provide a copy of the attached 2015 business case?

In relation to the business case, the points above primarily come from the attached 2015 business case, but my inclination is not to provide this and to wait until we are asked.

It would be helpful if we could refer the Commission to contemporaneous documents that are already in the public domain that would confirm what I am suggesting above.

Unfortunately all I can see from Hansard is that the Minister said a tiered tariff and cap were being introduced for new small and medium biomass installations to ensure value for money and that, because of the success of the scheme, total applications for the Northern Ireland non-domestic scheme were now exceeding our highest estimates and that we therefore needed to look at the full range of cost-control measures that had been introduced in GB.

Happy to discuss

Stephen

Stephen Moore

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